MBS Recap: War Protest: Bond Market Edition

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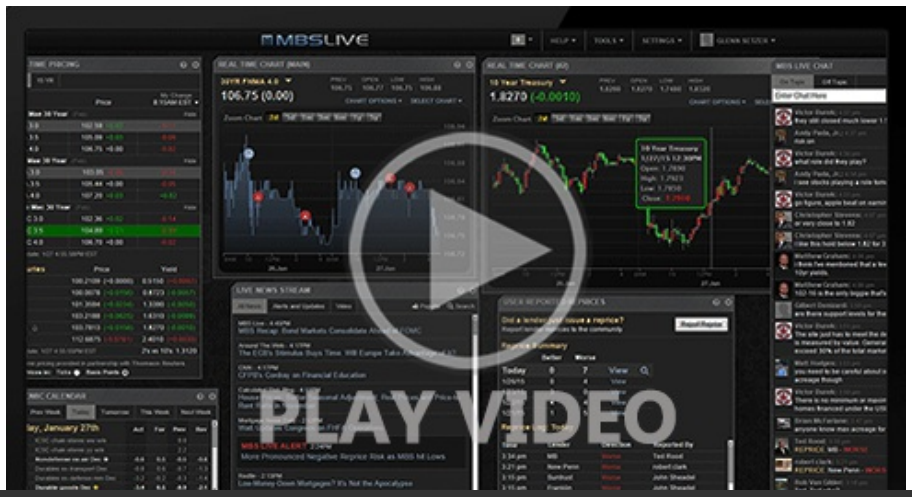
War Protest: Bond Market Edition

MBS Recap Matthew Graham | 4:35 PM

There's no quicker way to classify the movement we've seen over the past 2 weeks. The market is actively protesting the war in Iran--not because it's a sentient being that cares about violence, but rather because the implications for inflation, economic uncertainty, and Treasury issuance on not great. There weren't even any major developments today--just a few newswires that suggested no end in sight for the conflict or the closure of the Strait of Hormuz. 10yr yields are quickly back up to early Feb levels, but the selling is being led by the short end of the curve with 2yr yields at the highest levels in more than 6 months.



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Watch the Video

Alert

9:31 AM Down a Quick Eighth of a Point

Alert

11:15 AM Negative Reprice Risk Increasing

MBS Morning

11:30 AM Bonds Remain On The Run

Alert

2:44 PM Last Reprice Alert of The Day

4:20 PM

Econ Data / Events

- Building Permits (Jan)
  - 1.376M vs 1.41M f'cast, 1.455M prev
- Continued Claims (Feb)/28
  - 1,850K vs 1850K f'cast, 1868K prev
- Housing starts number mm (Jan)
  - 1.487M vs 1.35M f'cast, 1.404M prev
- Jobless Claims (Mar)/07
  - 213K vs 215K f'cast, 213K prev
- Trade Gap (Jan)
  - -54.50B vs $-66.6B f'cast, $-70.3B prev

Market Movement Recap

08:30 AM Roughly unchanged overnight. No reaction to econ data. MBS up 1 tick (.03) and 10yr down half a bp at 4.223

11:33 AM Weakest levels. MBS down a quarter point. 10yr up 2.7bps at 4.254.

02:03 PM Back to weakest levels after a very modest attempt to recover. MBS down a quarter point again and 10yr up 2.6bps at 4.253

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03:29 PM More selling around the 3pm close. MBS down 3/8ths and 10yr up 4.3bps at 4.27

Lock / Float Considerations

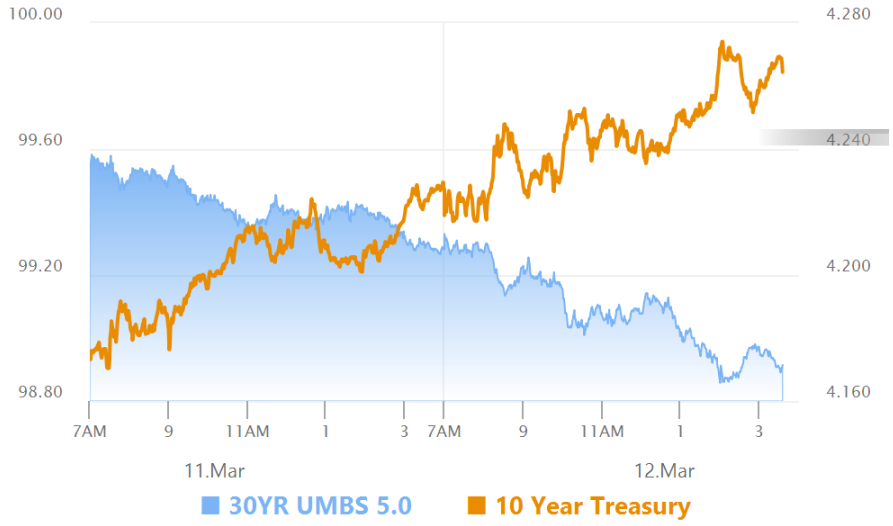
- Volatility risk remains much higher than normal due to geopolitical uncertainty. The entire month of March has been bearish for rates so far. It makes sense to remain defensive until that bearish streak has clearly leveled off.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
  - 4.12
  - 4.05

- Floor/Resistance
  - 3.89
  - 3.97

MBS & Treasury Markets



MBS
30YR UMBS 5.0

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30YR UMBS 5.5
30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries		
10 YR	4.265%	+0.038%
2 YR	3.742%	+0.089%
30 YR	4.883%	-0.001%
5 YR	3.871%	+0.066%

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